Operator:

Good afternoon, ladies and gentlemen, and thank you for waiting. Welcome to PDG's conference call to discuss the 1Q12 results.

We would like to inform all participants that this call and the slides are being broadcast by the Internet, through the site www.pdg.com.br/ri, and the presentation will be available for downloading in the Investor Relations site. And also listeners will be in listen-only mode during this presentation, and then we will start the Q&A session, and more instructions will be given. If any of you should need any help during this conference, please call the operator by pressing *0.

Before we proceed, I would like to inform you that any statements that might be made during this presentation referring to business prospects of the Company, projections, and financial and operating objectives are based on beliefs and promises of PDG's management and available information to the Company. Future considerations are no guarantee of performance. They involve risks, and uncertainties, and assumptions because they refer to the future and therefore depend on circumstances which might or not occur. The general economic conditions, industrial conditions, and other operating factors might affect the future results of the Company and might lead to results which differ materially from those expressed in these future statements.

Now, I would like to give the floor to Mr. Zeca Grabowsky, CEO. You may proceed, sir.

José Antonio Grabowsky:

Thank you. Good afternoon all. Thank you for coming. I would like to start our call with general comments about our financial results, which were below the expected, and explain some points that later I will give more details during the presentation. Referring to the margins, we continue to be focused on the delivery of units, a total of 34 million, 35 million units for the whole year. Particularly of projects launched between 2007 and 2008, which have relevant delays, generating many problems with the clients.

These projects launches of 2007 and 2008 represent, as we will see later on, 71% of the total of units to be delivered in the year, and the participation of those in the gross revenue in the 1Q12 was 50%, a share which will decrease throughout the quarters of the year. And in view of the problems already mentioned in other occasions, delays of work or budgets and third-party work, and also the cost review, which was made last quarter, these projects have an average gross margin of 10%, which impacted strongly on the results of the 1Q.

The rest of the projects as for 2010 continue with a gross margin of 28% to 30%, which would be a sustainable level for medium-term for PDG as we see it. And it is important to say that the smaller launch of projects in the 1Q and the sales of this less than 20%, which is the minimum for us to begin to consider them in our accounting, led to the fact that these projects should not begin to generate a result in this quarter itself. Besides that, historically the 1Q is a quarter with less revenue because of the end of the year holidays and Carnival. So, this is just a general observation, and soon we will talk about greater detail of the results. But I just wanted to make this clear.

Coming back now to the questions and the highlights of the Company, we have had our Annual General Meeting and all the points were approved by the majority. The most relevant, the payment of dividends, which will be paid on the 5th of July, a total volume of R$168 million, approximately R$0.15 per share. This payment will be carried out on the 5th of July for the share value of the 9th of May last year.

Election of the Members of the Board, the *propostas* slate, was elected and reelecting Gilberto Saião, and he was confirmed as Chairman of the Board, Alessandro Horta confirmed as Vice-Chairman, José Antonio Grabowsky, Alexandre Silva, and Paulo Guedes, who were already Board Members, and three new members, Milton Goldfarb, whom all of you know, he has worked with us for many years and he used to own Goldfarb and he continues to work with us as an executive, João da Rocha Lima and João Cox Neto are the two new Board Members; they had never worked with us before at PDG.

We believe, and we have already had our first Board Meeting, and we have already began to understand that, they are going to add a lot to the Board because of their experience not only in the real estate Board, like Rocha Lima, who is a teacher at the Poli University in real estate, and also other experiences in the case of John Cox, who was the President of Claro for four years and he has worked also for other companies in the telephony sector.

And thus, our Board now has 75% of members considered independent, besides Zeca and Milton, who continue as Executives. At the same Board Meeting, which happened on Friday, some changes of management was decided.

The Michel Wurman will leave; this is a subject that was already being discussed ever since we changed the decision of making a transition from the CEO of the Company at this particular moment, our Board, together with myself, decided not to make this transition as had been forecast in view not only of the results at the end of last year, which were worst that we expected, and also because of the initiatives that we are having at the beginning of this quarter until the beginning of the 2H12, because of seeking greater efficiency. We will talk about this later. Subjects that you have already heard about, integration, etc. So, because of all of this, the Board decided to not do this transition at the moment and possibly better evaluate what would be the best profile for the next PDG CEO for the next five years in this new phase that the Company find itself in today, let us say of greater efficiency than growth and greater operations in the capital market.

So, the Board has considered that Michel's profile would not be the best for this new CEO. And thus, it would not make much sense for Michel to remain in the Company just as IR, since he was no longer the CFO as from last year. So, with this Michel resigned. And together within his, Frederico Cunha, who had already been forecast for personal matters, he had already said that he would be resigning very close to the General Assembly. So then, the Board decided to elect cumulatively for the IR João Mallet, who will be now CFO since last year, and to substitute Fred, Pedro Thompson, who has been with us since 2007 and he worked also on these issues, and a new director Saulo Lara, who has been with us since 2010. He came right after the acquisition of Agre to help us to take care of the financial side of Agre, and now he is taking care of PDG as a whole, as far as internal other things, risk and process and collaborating all his experience in several different subjects and issues.

So, these have been changes of management, which were decided at the Board Meeting on Friday. Besides, as had already been said, for the Board and approved a change of the negotiation policy of PDG's shares was proposed by all the executives and employees, to have access to a material information of the Company. And in this new policy two main alterations were made. One, the negotiation with derivatives options already other kind of value, securities the Company is not allowed. And an annual calendar for negotiation ban, called "the blackout period" was instituted, together with the result publication.

We will start this on the 1st of February. So, under normal conditions we will be 60 days. If the publication is done at the beginning of the period, and for each quarterly result we will start the blackout the day after the closing of the quarter. So, the 1st of April, 1st of July, the 1st of October, until the date of the publication. So, probably it will be about 45 days of blackout. So, with this, besides being more stringent the minimum period, which is 15 days for CVM, we will be able to avoid any situation which could generate discomfort among the investors, because of negotiation of shares near the disclose of results.

And also subjects such we have been mentioning. Just to update you, on the part of integration, both of back office and front office, and these marketing subjects, we are continuing with the integration having in mind economies, gains of scale, and a less number of providers acting or working with PDG. So, we focused on to two agency. One, for focused online and Internet and the other focused on traditional medias, making it possible to save money and have better efficiency in our communication. We started the digital marketing area to favor e-commerce, and we now are wanting to contract a partner to continue the brand management in the same spirit of having less people taking care of PDG.

In *PDG Serviços*, which is the name of our center for shared services, this last weekend we started the first phase of implementation, and now we will have several waves. Until the end of July, we will have several implemented the center, CSC, with most to the 900 people that will work in the CSC will be in São Paulo, in the office of Goldfarb at Avenida Paulista, and there will be some units which they call CSC Pontas for the regional offices. Besides that, together with the implementation of the CSC, we are also making the best to integrate the front office, exactly changing people who were in the office of Goldfarb and who did not carry out activities with the CSC. They were the front office, they are going to the old office of Agre, in Vila Olímpia; and vice-versa, people who used to work back office CSC, who were in Vila Olímpia, are coming to the Avenida Paulista. Thus we are seeking greater efficiency, cost reduction, medium-term, and a greater synergy and integration with the people of the front office in the São Paulo units.

Now I would like to ask Julia for her continue with the operating facts, and then João will talk about the financial points. And we will come back to questions and answers.

Julia Martins:

Good afternoon. I will try and be as brief as possible regarding launches and sales, because this is nothing new to you. This has already been disclosed last semester. So, the launches in the quarter were R$1.15 billion, in the 1H there was a lot of sale of inventory and these accounted for 89% of the sales in this quarter. Besides that, more than 70% of the launches occurred in March.

Therefore, the sale of launches were less than the historical average. Another point also that can lead to questions regarding launches, was the fact of the representativity of the state of Amazonas; only three projects that totaled 512 units, and because of the low level of launches that happens seasonally in the 1H of the year, represented more than the usual but it was just an occasional occurrence. I think the main point which refers to sales is that more and more we are focused on seeking the 37% VSO, or sales over total supply, and SOS, and in the 1Q, very important, we managed to cash burn R$700 million of this inventory in nine months, we managed to burn that.

So, we had a reasonable inventory. So, we do not have a problem of performed inventory. This is 7% of my total inventory in number of units and 6% in PSV. So, this is a good number. So, we are trying to... this will help us indeed.

Going to the next slide, talking about the land bank. Land bank continues at the same level, about 2.5 years to 3 years of launches. We know that if we review the feasibility of these projects, we would have a slightly higher value, about 3.5 years of launches. And this review occurs in the pre-launch. This is why it continues. You can see that the average price down below can present variations at the launch, and it generally does. But usually, in spite of having a good level in the land bank, which is not totally well distributed.

So, very often we have to buy land in some segments to keep it from 2.5 years to three years, to keep the segments that we want. And in the next slide, we have the units delivered. It is very important to mention that we continue to deliver 3,800 units in this quarter. Our objective was 3,500. So, these projects, which slid into the 2Q, and weekly we review this on the delivery date, and they suffered some alterations, but we maintained just about 35,000 units to be delivered in the year, as Zeca has mentioned.

We tried, in the next slide, to open up as much as possible, to give more and more breakdown and visibility to you regarding the deliveries of the year. The quarterly distribution, which is on the left-hand side, shows that in spite of the volume being greater in the 2Q, the proportion of units, which comes with the partners or which were replaced, is graced in the 1H12. So, it is that cost review that we talked about last quarter. It is very much tied to third-party works, and works that were replaced, that have a higher cost and that were reviewed last quarter. So, we maintain these 34 to 35 units since the 40% we delivered in the 1Q, in the second 60%.

In deliveries per year, Zeca said, the amounts of projects that we are delivering this year basically 71% come from works that were launched in 2007, 2008, and 2009. So, less than the average of PDG that we are launching nowadays. So, this pressures the result somewhat, and down below we have tried to show you the breakdown per builder. So, we have third-parties partners and others that we replaced throughout the building, and PDV. So, throughout the quarter PDV has been gaining share, and the third parties and partners and replaced builders have been diminishing their share and making it more comfortable for PDG.

Now, I will ask João Mallet, who is going to talk a little bit about planned credit transfer and the financials.

João Mallet:

Good afternoon. I am on slide seven, talking a little bit about the planned credit transfer. We started in 2011, middle of 2010, to do this client credit transfer with our own team. And quarter-by-quarter we will begin to see this as being something, which was a bottleneck, will no longer be a bottleneck. It will be much better. We did this transfer 5,000, almost 6,000 units, and a little more than what we were projecting.

And we will have this number, about 32,000, which is the objective for the year. So, on this front, which was one of the great concerns of the sector, we have found a solution in-house with our own team and 320 employees. We have been able to find a solution month-on-month, we have been able to have a good sound performance on this front.

On the next slide, there are two fronts here in fact, as Zeca said. First, the client credit transfer, which is to conclude the transaction with the client and it has to be approved in the credit score and has to be accepted by the bank. But from the transfer to the actual registration to generate cash, there is a whole lot of work of notary and signatures, etc. and the bureaucracy and the red tape. And we have been focusing on this. And from the middle of 2011 we have been working on this, strengthening our team, putting people on either right where the client is going to sign, and helping him, increasing the internal control. So, when the contract goes to the notary, to avoid any kind of divergences, so anything that needs a correction. So, this speeds things up.

Besides, what we call *repasse*, which is a client credit transfer, there is the registration. This process, which has been a bottleneck, now this is no longer a bottleneck, and the registration is no longer bottleneck either. And the notary, for private reasons, sometimes cannot deal with the volume. So, we are looking for alternatives. I think within two or three months' time we will already find a very good alternative.

And now on slide eight we have the key financial indicators. The revenue, because of the seasonality, is slightly below the 1Q11 when compared to the 4Q, we have had a drop of 16%. Basically the holidays and the launches in the 1Q that will go on to the 2Q, as the EBITDA is similar here to the revenue, with a slight projection, we must focus a bit more on this. I think that there will be questions later on this.

And the maintenance of the expense control, the CSC will help of course, and of the expenses and traveling expenses and so on, will be optimized, and hotel expenses, etc. So, it seems a little bit, but in the end it makes a big difference. The net income margin was not what we wanted, but I think it is clear that we have to try and seek both the gross margin, but also the net margin. This will give greater visibility. This is what Julia told us, and as we go we will break this down more to make it clearer. So, when compared to the other quarters, this is not exactly what we wanted to see.

On page nine, we have the indebtedness in cash. Quarter-by-quarter does not change all that much, we continue to have a lot of debt, thanks to the SFH, which is a debt that has to do with the funding of the project, and the short-term and long-term the debt it is always connected to the SFH in project finance. So, it is a healthy debt for any developer. The corporate debt becomes an interesting alternative, both for the corporate and the CDI.

So these are alternatives that SFH becomes preferred debt, but you have alternative, debt corporate or CDI, which are good for the point of view of term and rate.

The cash stable R$1.7 billion debt, there is a little bit. And further down, we have cash burn of R$177 million or adjusting R$191 million. For the year, the cash year will be about, for cash generation of R$200 million. If we have R$-190 million, R$-170 million, we will have to generate another R$200 million to have the accumulated in the year. So quarter-to-quarter it is up the mobile average, or the moving average; if we take the last four quarters, it will become closer to zero. If we take 2H11, the generation was positive, with its first one here over R$170 million or R$190 million, you take the 1Q11, which was about R$400 million. So, this quarter-by-quarter becomes closer to the cash generation, and as we have launched a lot last year, we had good growth, and this year will be zero-to-zero or a little bit like that.

So this indebtedness, this cash burn will naturally seek a positive cash generation. So, what we have to do is work, deliver units, do the client transfer register to generate cash. And if we look company-to-company, we can see that those companies that are in a more advanced cash position, generate cash, and this becomes a natural cycle of the business.

Now we will go onto Q&A, and we are at your disposal. Thank you very much.

Guilherme Rocha, Credit Suisse:

Good afternoon. I have a question regarding the bases. We have seen you had a review in the 4Q, but even so in the 1Q were there any other budget reviews? So, what else have you seen in the 1Q, which might occur also in the 2Q regarding budget reviews or anything additional, partner review, etc.? So, how much more visibility can we see of this gross margin throughout the year?

João Mallet:

There was no cost review or no cost of overrun in this quarter. We had, as Julia said, I will go back here to the slide because it is slide six. So, the idea here is to show you we put the same thinking on the question. We have a margin of project of 2007 to 2009, of about 10%.

These are the projects which are, at the end, called delivered or delayed units. So, shows what puts the margin at 10%. From 2010 to 2011, and a little bit of 2012, we are talking of a margin which is the average, reasonable average of 30%. So, here we are slowly seeking this margin.

This is not reflected in the results of the 1Q. But this is what we are seeing for the future. The 1Q was impacted exactly by these dynamics, and also impacted by the cost review carried out in the 4Q, which turns the margin down. So, it will impact in this quarter and in a way in the next few quarters, as this margin develops. And also further down, on page six, you will see more visibility. You will see what are our own works and what is not our project.

So, each one has its own particular peculiarities. PDG, quarter to quarter, starts from 37 versus 37 and 64, and comes to the end of the year with 67. This is the work which was done since the middle of 2010, replacing or avoiding starting work with third parties and trying having our own team to avoid those dynamics to come to the end of the work and have a third party without any motivation, thinking about another job, and then we have to take over and that is not good for the Company. So, more and more we are seeking to do things with our own team, and this is being done in the new work.

Guilherme Rocha:

And then the margin in this quarter and the short term would be about 19%, 20%?

PDG:

Yes. The idea this year is an evolution throughout the quarters, as this mix changes quarter by quarter. So, in this quarter it is a worse mix, 50% of the revenue coming from these older projects. This mix tends to decrease quarter to quarter. So, the gross margin will go from 20% towards 28% to 30% quarter by quarter.

Guilherme Rocha:

You said 28% to 30%, stable level. Is this considering the capitalized interest or not considering capitalized interest?

PDG:

This considers capitalized interest. In other words, as this is theoretically a stable level, it would be 30%, already considering capitalized interest, the 30%, 80% reported this quarter.

Felipe Rodrigues, HSBC:

Could you give us an idea of the increase in this quarter, the CSC and PDG Serviços? What are you thinking about the G&A level this year?

PDG:

Well, we have a lot of change. The CSC is important but also the change of the areas of front line. This will generate savings in this 1Q, well this is not yet been quantified. CSC will bring greater impacts more in the 2Q. So, in the 2H12 I would say the impact will be felt in 2013, and we expect a savings of R$30 million to R$40 million for 2013. For 2011, the G&A will be R$90 million per quarter in 2012. We will be able to save.

We want to improve things and bring things in house all through the optimization of travel expenses and expenses in general, and we will focus greatly on this. We have to focus more and more on this because any savings that you make it is no small number, it is R$100 million here, R$100 million there. So, the objective is R$90 million per quarter.

Felipe Rodrigues:

I have one more question. Regarding the client credit transfer, can you imagine a distribution like this of delivery, do you think this could grow threefold with this volume of delivery in the 3Q?

PDG:

Well, the 2Q of the client credit transfer in April is similar to January and February; May and June are stronger months. So, the 2Q and the 3Q are the stronger months. The 4Q becomes more similar to the 1Q. So, we have the 2Q and 3Q as being the strongest. The 4Q is not exactly like the 1Q, but it is not a strong as the 2Q and 3Q. The distribution is not the same.

Felipe Rodrigues:

So, the units that João mentioned, between 32 units, which will be transferred that compared to the 32,000 delivered in 2011. So, this is not matched, but what you deliver in a month?

PDG:

Yes.

Felipe Rodrigues:

But you could imagine a number above 30,000 a year, right?

PDG:

Yes, the objective is about 32,000. We believe that 32,000 is not an easy objective but it is not impossible. Just remember that in this we are including also settlements. We included this by the end of the year because of the dynamics of Agre. Agre, due to the profile of the client, in Goldfarb, we used to do this in Agre, 20%, 25% come in with the money and they settle things. So, you do not have the client transfer, but from a practical point of view it is same thing.

Rafael Pinho, Morgan Stanley:

Good morning. Well, João, there are two accounts here that we are trying to understand regarding the gross margin. You had R$220 million cost, R$44 million of goodwill. And in this quarter it was R$9 million. So, there were very many things in your COGS that you had in the 1Q, not this one. It was to be expected, the way you do your accounting, that in the 1Q your margins should have had a much stronger recovery than it did.

Another account which I am trying to understand is, if you say to me that the old projects have an average margin of 10%, the ones of the "bad crop", as you call them, during the sum here saying that the land, 15% of the PSV, I have an average cost of 33% on the cost of construction, obviously because... So, this is a very high number and I do not think we had an idea of this. So, I want to know the weight of this on your revenue and I want to know how you can estimate the margin of 10% is in the quarter?

João Mallet:

The margin, the cumulative margin is not 10%; it is about 15%. I do not have this margin here, but this is the margin of the quarter. If you take the margin of the project, it will distort your sum. So, answering you based on this clarification, what changes your calculation? If you have a delivery of the quarter, works that you are accelerating so as to deliver and avoid more questioning from the client and more delays, there is more contribution. So, quarter to quarter, this will no longer drift.

But in this quarter it has brought it down. The improvement of the margin, because of the review carried out in the 4Q, it occurs. But the margin as a whole does not come to the former level; it becomes compressed. If you had this review from thereon, this margin will not be at the former level. It will not be as bad as the quarter, the review of the quarter, but it will not be the same as before, it will be lower.

I will take this accumulated margin, which talks about 10% of the quarter, I do not have this number here, but I will help you to do your calculation.

Rafael Pinho:

Yeah, I had the feeling the 10% was the average. But if it is just in the quarter, then it is OK. If you can give us some further details, then that will help.

João Mallet:

Yes, now I will give you all that.

Marcello Milman, BTG Pactual:

Good afternoon. I have two questions which are linked; just to confirm. The question of G&A, R$90 million per quarter, this would be for the next three quarters or will it be the average for 2012? So there is quite a big difference. So, where will this stop in 2013 regarding this number in 2012, where are you going to get to?

And connected to the G&A, Zeca, if you are decreasing the G&A, this is of certain rationalization involved. So, where will the Company stabilize in terms of volume?

José Antonio Grabowsky:

The G&A will be the target for the second and third target, and the 2Q there is a lot to do with the implementation of CSC. I think we will only get there in the 2Q. The target is the average of the 3Q and 4Q. We will get to R$90 million, which would already be an annualized number of R$360 million.

I think with this number, I think we could expect for next year, 2013, so then perhaps not the full reduction, because the 2H there will still have some benefits from the CSC. So, once again, we could imagine the increase of the collective bargaining on one hand, but some reduction for 2013 regarding this R$360 million annualized, considering that we have PDG at this level of R$8 billion to R$9 billion in launches.

The structure that we have in-house today, and we have already commented on this several times, is to run this number of 30,000 odd numbers a year. Last year, our launches were 35,000 units, and this year probably will be below this number because of price increases and launched minus CSC. So, PDG will remain at this level of 30,000 to 35,000 units per year. And we will talk about a PSV of R$8 billion, R$9 billion a year. Some growth from there is possible without great alterations of G&A. But I would say that the stabilized number is for this kind of size of company; any alteration in this strategy obviously would have to review the G&A, up or down.

If we go back to an accelerated growth, which I do not see, we would have to adjust the G&A together. And on the other hand, if we opt to reduce the Company's size, then obviously we would have to adjust the G&A.

Marcello Milman:

Thank you.

Luiz Maurício Garcia, Bradesco BDI:

Good afternoon. Well, a follow-up on a point that João was talking about during his presentation, about cash burn.

I think that it is very clear that if we do not have a delay in the client credit transfer, we will have a positive generation in the 2H12, concentrating on the deliveries of Agre, as you mentioned. So, if we take approximately Agre had launched almost R$6 billion and has a strong concentration of deliveries. Now if we extrapolate this for next year, I think that approximately we should not have this delivery concentration, because this is a distortion as these units were delayed and there is a concentration now.

But the year of 2009 had a volatility with less launches. So, we should imagine a lesser delivery much less for next year, when the Company will be executing the launches of 2010 and 2011, which were considerable. So, I cannot see this positive cash generation continuing next year. So, I wanted to have the Company's vision on this point and what you expect?

And my second question, also picking up on what Zeca said, the question on the definition of the new CEO for the next five years. Since the market expects this definitions to have a long-term view, whether you could give a small disclosure about that, tell us what the timing of this transaction will be and when will this process be concluded?

José Antonio Grabowsky:

Well, I will start by the second question, and then I will ask Julia to talk more about the cash burn and deliveries. We are starting to talk to the Board about this transition. There is no date as such, deadline. The decision of Zeca to remain might be six months or more, to come to the conclusion that the Company needs or what is best to the Company that if Zeca continues beyond 2012, but I believe that in parallel the Board will decide to begin to look for this person, possibly outside from the discussions held until now, to look for someone outside PDG, who would have this profile to come and manage PDG for the next five years or perhaps even more than that. It is a new cycle completely different in strategic terms.

So, this is why we believe that it is a person who has to have a different profile than that which we imagined, a more operating profile, looking inwards in efficiency to continue with this efficiency process, which we have been implementing for integration of old business and units. Ever since we bought Agre in 2010 this has always been a part of the plan.

But there were several phases. There was a question of the SAP, which only finished last year, and then all these other questions of integration of front office and all the human resources process and the question of the internal culture of the Company, all these processes which take time. And I think this is the main focus of this new CEO, and this is why we are discussing what the profile and the best experiences will be. Perhaps it will be someone who will not necessarily be in real estate. When I talk about real estate, it is not necessarily developers, but any other sector connected to real estate.

Somebody who has a little bit of experience in that or somebody from another industry that has the same kind of needs or experience that we have, number of clients, client service. So, I think this is a debate that is going to start now, and the expectations is that this transfer occurs during the 2H12. But there is no deadline, there is no urgency to solve it. It is question of a candidate appearing.

Julia Martins:

Now your first question, Luiz, in fact regarding all these delays that we mentioned, you do not have this... if Agre had not been late to have a normal cash flow, with a normal cash flow we would not be delivering units of 2007 today. They should have been delivered last year and so on. So, in fact because of these delays, the number of units delivered continues flat because the Company has started to launch about 35,000 units. So, this number for 2013 will vary between 35,000 to 38,000. So, it will remain up and down.

So, the number of units delivered will continue about 35,000, so there will not be this drop, this valley that you were imagining. So obviously, if it were a normal cycle, you would have this valley, you would have this drop.

Luiz Maurício Garcia:

But Agre had these delays, which leaves the number more flat and no drop. And even then, in PSV, when you say 35,000 or 38,000, there is a greater mix of Goldfarb, etc. But even in PSV, you see PSV next year in line with this year?

Julia Martins:

Yes, certainly. In terms of the PSV it is the same thing, you do not have this drop. Well, PSV delivered next year is greater than this year, there is no drop.

The volume that I have to receive, six months to nine months after the deliveries, is relative to the units of 2000 that I am delivering in 2012, it is less than what I would have to receive from the units that I am going to deliver in 2013. The volume of the money is growing.

What happened in 2012 was that we had the expectation at the end of last year of delivering most of the units in the 1Q or at least until the 2Q, and with this generate positive cash which would be more relevant during 2012, in practice. When we take the units of the 1Q and 2Q and focus more on the delivery the 2H12, this return of cash delays and this is why the cash generation for this year has been dropping, but it continues with the expectation of being positive, about R$200 million.

Luiz Maurício Garcia:

Right. That was my rationale. Today, the 2007 and 2008 together be delivered this year, and next year it would be predominantly 2009, obviously there would be... So you do not see this scenario, right?

Julia Martins:

No.

Luiz Mauricio Garcia:

OK. Thank you.

Eduardo Silveira, Banco Espírito Santo:

Good afternoon. I have two questions. The first, could you talk about contract cancellation? The whole industry is making provisions in their contracts and also the client recancellations. And so what would be the percentage of cancellations? This is the first.

And second, picking up on this gross margin and the normalized margin and the new level of 30%, if we do a calculation of the SG&A of 30% of the revenue, putting more and the service of the debt, we have a net margin of 10%. So, could the Company give me an idea of levels which you see or the net margin or return on equity?

PDG:

Let us start with your second question. We finished this discussion about post-interest or pre-interest and capitalized interest, which is confusing. We see as a margin 28% to 30% is before interest coming back. If the interest comes back we will talk about 30% to 35%, depending on the impact of the capitalized interest. So, just to clarify, the 28% to 30%, when we talk, is to compare with the 19% which we got in this quarter, of gross margin. So, going back, our expectation as from 2013 is to come back and have a net margin in the Company of 13% to 15% of net margin for this Company, and the return on equity probably a little above that. This is the number that we see 2013 on.

Going back to your first question, we have this policy of, during cancellation of contracts, in the 1Q on average we had 500 dissolutions of contracts, which impacted my gross income of R$20 million, and the number of units that they sold in the quarter net of dissolution was 1,202. So, I would have sold 8,700 and canceled 1,500.

We had a lot cancellations last year 2,500, particularly in the city of Campinas, and probably we will have more than 500 in Campinas in the 2Q, because of those problems of embargos and political problems in the city of Campinas. But they will be the last contract dissolutions that we have in Campinas of project which we do not know whether they will be continued or not.

Eduardo Silveira:

Thank you.

Adrian Huerta, JPMorgan:

Hi. Good morning, everyone. Just a few questions. One is, what was the percentage of revenues in the quarter that came from units with this gross margin from 10%, and the amount of revenues still to be recognized from these units again are running with 10% margin? That is my first question.

And then the second one is, if you can give us an idea as well on the PSV that you are expecting for this year of units to be transferred, of the 32,000 units expected to be transferred, what will be the PSV of that? Thanks.

PDG:

The percentage of the revenues which refer of units between 2000 and 2009, which had in this quarter a margin of 10% was 50% of the quarter's revenue. The value is not the value of the units, but of the average balance which is transferred. Did you get that answer? We are having some sound problems, I think.

Adrian Huerta:

Not really.

Carlos Peyrelongue, Bank of America:

Thank you. Thanks for the call. My question is similar to the previous question. We would like to get a sense of the expected construction that you will do this year. What percentage of that will come from the units of the 2007-2009 vintage that have a gross margin of 10%? Can you give us an indication please?

Operator:

So, at this moment we will close our Q&A session. And I would like to ask Mr. Grabowsky for his final remarks.

José Antonio Grabowsky:

Thank you all for your attention. And I hope we were able to clarify and answer your questions. As always, we continue to be at your disposal here at IR, by telephone or email, or whatever you prefer. We are at your disposal to talk about what we see in the market and PDG strategy for 2012 and further on. Thank you for your attention and see you next time.

Operator:

We would like to thank everybody for their participation, and good afternoon.